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BY ELECTRONIC MAIL

June 26, 2023

Dr. Luis A. Ferrao Delgado
President
University of Puerto Rico

Re: MCS Life Insurance Company

Dear Dr. Ferrao Delgado,

In accordance with the Contract Review Policy (the “Policy”) of the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), established pursuant to Section 204(b)(2) of PROMESA, we have reviewed the proposed amendment to the employee healthcare benefits contract between the University of Puerto Rico (“UPR”) and MCS Life Insurance Company (the “Proposed Amendment”).

After reviewing the Proposed Amendment, the Oversight Board concludes “Approved with Observations.” Observations related to the Proposed Amendment are set forth in Appendix A attached hereto.

Our review is solely limited to compliance of the Proposed Amendment with Section 204(b)(2) of PROMESA, which seeks to ensure proposed contracts promote market competition and are not inconsistent with approved Fiscal Plans. For the avoidance of doubt, the review performed by the Oversight Board does not constitute a legal review of the contractual documentation or the contracting process, including without limitation: (i) compliance with contracting requirements under applicable laws, rules, and regulations, both federal and local; and (ii) compliance with applicable laws, rules, and regulations governing procurement activities, both federal and local.

In addition, the Oversight Board has not engaged in any due diligence or background check with respect to the contracting parties nor whether the contracting parties comply with the requirements under the applicable contract. Any material changes to the Proposed Amendment or the original contract must be submitted to the Oversight Board for review and approval **prior to execution**.

Dr. Ferrao Delgado

June 26, 2023

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This letter is delivered as of the date hereof and we reserve the right to provide additional observations and modify this letter based on information the Oversight Board was not directed to when the review was conducted. In addition, during the course of our review, we may receive information that we may refer to the relevant authorities.

This letter is issued only to the UPR and solely with respect to the Proposed Amendment.

Sincerely,



Jaime A. El Koury
General Counsel

APPENDIX A

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UNIVERSITY OF PUERTO RICO – MCS LIFE INSURANCE COMPANY

Fiscal Plan Alignment

This review covers the Proposed Amendment to the employee healthcare benefits contract between the UPR and MCS Life Insurance Company.

The original contract (2021-000066) was approved with observations by the Oversight Board on November 24, 2021 and had a term from December 1, 2020 until June 30, 2021, with two allowable one-year extensions, and a maximum payable amount of \$49,799,587.75. The second extension was approved with conditions by the Oversight Board on June 30, 2022 and extended the term from July 1, 2022 until June 30, 2023, increasing the maximum payable amount by \$60,018,979.68 to \$109,818,567.43.

The Proposed Amendment further extends the term until **August 31, 2023**, to allow for the completion of the ongoing health insurance provider procurement process and increases the maximum payable amount by \$10,003,163.30 to **\$119,821,730.73**. It shall be payable from the UPR's Fiscal Year 2024 budget's "Payroll and Related Costs" budget line item.

However, as of the date of this letter, the UPR's Fiscal Year 2024 budget is yet to be certified. Consequently, the UPR must ensure that the costs associated with the Proposed Amendment are incorporated into its Fiscal Year 2024 certified budget to ensure consistency therewith. Moreover, once the UPR's Fiscal Year 2024 budget has been certified, UPR must submit an updated Fund Availability Certification by **July 15, 2023** in the format set forth in Appendix A (Contract Submission Questionnaire), including accurate information for the corresponding accounts.

The UPR is expected to inform the Oversight Board of any budgetary differences other than those specified in Appendix A (Contract Submission Questionnaire) and to request a re-review of the Proposed Amendment should any changes occur.

This review was conducted on the basis of information submitted by the UPR. The Oversight Board has not independently verified the information included in the submission. Should the Oversight Board become aware of any inaccuracies or misrepresentations – whether intentional or not – it would re-evaluate its assessment.